

CHAPTER 4. GENERAL EQUIPMENT**TABLE OF CONTENTS**

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CHAPTER 4. GENERAL EQUIPMENT

4.1 OVERVIEW.

- 4.1.1 Purpose. This chapter sets forth the accounting standards and policies related to NASA's general equipment to assure compliance with statutory and regulatory requirements. These requirements ensure financial control over NASA owned general equipment, both NASA held and/or contractor held.
- 4.1.2 Applicability and Scope.
- A. This chapter applies to all NASA owned and, NASA owned Contractor-held general equipment as well as equipment acquired or furnished under NASA grants and cooperative agreements with educational institutions and non-profit organizations. Contractor-held equipment is NASA owned equipment in the possession of a contractor, and includes NASA furnished equipment, contractor-acquired equipment or contractor fabricated equipment.
 - B. These requirements are applicable to NASA Headquarters and NASA Centers, including Component Facilities, and to NASA contractors, to the extent that PP&E reporting requirements are incorporated in contracts. These procedures are applicable to all programs, projects, centers, or other organizing structures that incur costs in the acquisition or fabrication of Agency-owned general equipment.

4.2 AUTHORITIES AND REFERENCES.

- 4.2.1 Federal Acquisition Regulations (FAR)
- 4.2.2 NASA Federal Acquisition Regulations Supplement (NFS)
- 4.2.3 Federal Property Management Regulations (FPMR)
- 4.2.4 NPD 9501.1, "NASA Contractor Financial Management Reporting System"
- 4.2.5 NPR 9501.2, "NASA Contractor Financial Management Reporting"
- 4.2.6 Statement of Federal Financial Accounting Standards (SFFAS) No. 6, Accounting for Property, Plant and Equipment (as amended by SFFAS Numbers 14, 16 and 23)

4.3 ROLES AND RESPONSIBILITIES.

- 4.3.1 Agency Office of the Chief Financial Officer shall:
- A. Exercise the responsibilities enunciated in Section 1.3.3 of Chapter 1 of this Volume as it pertains to the identification, capturing of the costs through work breakdown structure (WBS) and other means, and reporting

of the costs of NASA-owned and held and Contractor-held general equipment.

4.3.2 Center Chief Financial Officer and Deputy Chief Financial Officer shall:

- A. Exercise the responsibilities enunciated in Chapter 1 of Section 1.3.4 of this Volume and the policies prescribed in this chapter to ensure that adequate financial controls are in place and financial records and reports accurately reflect the status of general equipment under the cognizance of the Center. Their responsibilities also include maintaining close liaison with property management and other personnel concerned with general equipment to provide assurance that values reported are accurate.
- B. Be responsible for capturing and capitalizing the actual costs of NASA-Owned NASA-Held and NASA-Owned Contractor-Held Equipment in the accounting system for financial reporting purposes.

4.3.3 Center Property Accountant shall:

- A. The Property Accountants utilize the financial accounting system to update the asset master records.
- B. The Property Accountants also prepare and submit monthly reports to the NASA Headquarters, Office of the CFO, Property Branch.
- C. As part of the Continuous Monitoring Program monthly reporting process, the property accountants reconcile equipment master records with those recorded in the general ledger for the equipment account(s).

4.3.4 NASA Agency Office of the CFO Property Branch shall:

- A. Validates totals for equipment on Center asset management reports to the general ledger and;
- B. Calculates and reports depreciation expense for equipment.

4.4 DEFINITIONS.

4.4.1 Acquisition Cost. Acquisition cost is the original purchase, construction or development cost, and includes all costs incurred to bring the property to a form and location suitable for its intended use, net of (less) any purchase discounts.

4.4.2 Agency-Peculiar Equipment. Completed items, systems and subsystems, spare parts and components unique to NASA aeronautical and space programs. Examples include research aircraft, reusable space vehicles, ground support equipment, prototypes, and mock-ups.

4.4.3 Contractor-Held Property. Contractor-Held Property is NASA-owned property in the possession of a contractor, and includes NASA furnished property, contractor-acquired property or contractor-fabricated property.

- 4.4.4 Fabrication. Fabrication is the process of building or constructing a part or end item (i.e., satellites, space shuttle, space station, etc.). Multiple materials and supplies can be used and incorporated in a fabrication.
- 4.4.5 Modification. An alteration of an existing piece of property. A modification may or may not increase the useful life of the property being modified. Modifications may extend the useful life, enlarge or improve its capacity or, change or enhance performance or functionality of the item. Only modifications that meet the capitalization criteria are added to the book value of the asset.
- 4.4.6 PP&E. Property, Plant and Equipment is composed of tangible assets that:
- A. Have an estimated useful life of 2 or more years;
 - B. Not intended for sale in the ordinary course of business;
 - C. Intended to be used or available for use by the entity; and
 - D. Has an alternative future use.
- 4.4.7 Work-In-Progress (WIP). Work-In-Progress consists of the costs (i.e., procured materials, labor, travel, etc.) related to the design and fabrication of an asset to bring it to a form and location for its intended use, until such time as it is considered operational.
- 4.5 CLASSIFICATION AND IDENTIFICATION.
- 4.5.1 General equipment can be classified into collateral and non-collateral depending on the nature of the attachment of the equipment to and severability from a facility project.
- 4.5.2 Collateral equipment is not severable and is considered part of the facility project through which it is installed. Examples of collateral equipment include building type equipment, built-in equipment, and large substantially affixed equipment, normally installed as a part of a facility project, whether it is original facility construction or modification. Such a project is considered a single item.
- 4.5.3 Non-collateral equipment, when acquired and used in a facility or test apparatus, can be severed and removed after construction without substantial loss of value or damage to the equipment or the premises where it is installed.
- 4.6 CAPITALIZATION CRITERIA.
- 4.6.1 The cost of collateral equipment which is installed as part of a facility project shall be included in the value of the project in making the determination as to whether the project meets the capitalization criteria described in Chapter 2, Section 2.5 of this Volume.

4.7 VALUATION AND RECOGNITION.

4.7.1 Recognition.

- A. General Equipment shall be capitalized when title passes to NASA. Title shall be considered to be passed when a cognizant NASA official accepts the property for the Agency.
- B. Capitalization of construction work in progress will not be delayed pending final acceptance of residual closeout work such as punch lists. At fiscal year end, special care shall be taken to ensure that any equipment meeting capitalization criteria are capitalized regardless of whether there are costs remaining to be paid.

4.7.2 Valuation.

- A. If general equipment is taken delivery by and accepted by a NASA official prior to the end of the fiscal year, meets the capitalization criteria, and is capitalized, any related remaining cost paid in the next fiscal year will be included in the capitalized value.
- B. If an item does not meet the capitalization threshold at the end of the fiscal year, but related remaining costs paid the next fiscal year result in the total cost of the asset meeting the capitalization threshold, the entire cost of the asset should be capitalized in the next fiscal year (assuming the other capitalization criteria are met).

4.8 DEPRECIATION.

4.8.1 Depreciation Method. NASA policy is that the straight-line method of depreciation method using the mid-year convention must be used for all assets. Under the Mid-Year Convention Method, six months of depreciation is computed and expensed in the first and last year of an asset's useful life, regardless of the actual month the asset was placed in, or removed from, service.

4.8.2 Table 2-1 in Chapter 2 of this Volume contains the expected useful life for each of the various types of PP&E.

4.8.3 Change in Useful Life. Estimates of the remaining useful lives of general equipment should consider factors such as physical wear and tear and technological changes. Procedures should be established to periodically evaluate any such possible changes. In accordance with SFFAS No. 6, any changes in estimated useful life or salvage/residual value shall be treated prospectively. The remaining book value shall be depreciated over the revised remaining life of the asset on a straight-line basis. The change shall be accounted for in the period of the change and future periods. No adjustments shall be made to previously recorded depreciation or amortization.

4.9 DISPOSITION.4.9.1 Exchange/Sale.

- A. Items may be sold and the proceeds applied in whole or partial payment for similar item replacements. FPMR 101-46.302 states that proceeds from sales of equipment disposed of in accordance with the exchange/sale authority in FPMR Part 101-46 must be accounted for in accordance with the General Accounting Office, Policy and Procedures Manual for Guidance of Federal Agencies, Title 7, "Fiscal Procedures, Section 5.5D." The guidance provides that all proceeds from the sale of equipment and materials will be available during the fiscal year in which the property was sold and for one fiscal year thereafter for obligation for the purchase of replacement property.
- B. The disposition of funds collected from the sale of equipment shall be as follows:
1. If it is determined at time of collection that the funds will not be used to purchase a replacement item, the funds shall be deposited to Account 803220, General Fund Proprietary Receipts, Not Otherwise Classified.
 2. If it is determined at time of collection that the funds will be used to fund the replaced item, the funds shall be deposited in 80F3845 (Clearing Account Proceeds of Sales, Personal Property).
- C. In this case, a Refund Agreement will be established for the amount of the funds collected from sale of the equipment. The agreement funds a portion of the replacement purchase up to the amount collected from the sale of the old equipment. After payment is made for the equipment, the collection deposited in Account 80F3845 is transferred for refund to the procuring appropriation. The portion of the clearing account applicable to replacement purchases should be reviewed on a quarterly basis by the Deputy Chief Financial Officer (Finance) (DCFO)(F) office; funds identified as not being used for replacement purchases shall be transferred to Account 803220, General Fund Proprietary Receipts, Not Otherwise Classified.

4.10 FINANCIAL CONTROLS.

- 4.10.1 The following general Ledger Accounts listed in Table 4-1 are applicable to General Equipment and will be posted to those accounts using Asset Accounting T-Codes in SAP.

Table 4-1

Account Number	Account Title
1720.1000	Asset Under Construction - Equipment

1750.1000	Equipment
1759.1000	Accumulated Depreciation - Equipment
5720.2000	Financing Sources – Property Transferred in Without
5730.2000	Financing Sources - Property Transferred out Without
6610.1000	Cost Offset – Assets
6710.1000	Depreciation, Amortization, Depletion Expense